

## EU trade deal politics good for U.S. business

By LAUREN FRENCH (/REPORTERS/?ID=526) | 3/11/13 5:22 AM EDT

There are plenty of things that could go wrong during negotiations toward a trade deal between the United States and the European Union.

Farmers on both sides of the Atlantic worry they'll be locked out of markets because of regulations, an issue raised last week by Senate Finance Chairman Max Baucus. There are trust issues over safety standards. And longstanding Airbus-Boeing frictions over aircraft subsidies have complicated U.S.-EU trade ties for years.

But timing is everything in international trade, as in politics. And at a time when both the EU and the United States are facing a rocky road to economic recovery, the prospect of an export boost may be enough to nullify some of the political barriers.

The potential reward for U.S. businesses is huge. Plus, the domestic politics of a U.S.-EU pact could be very different than your average trade deal. That's because labor standards in Europe often eclipse those in the United States, a factor that should limit the protests from labor unions and their mostly Democratic allies in Congress — traditionally the most vocal opponents of trade deals.

“We want to see a very high-standard labor chapter but there is no reason we won't be able to get that with the EU,” Thea Lee, the chief international economist at the AFL-CIO told POLITICO. “We're also looking for ways that we can build on some of the strengths of the European markets.”

That's why, despite the obstacles, business leaders and lawmakers are hopeful economic similarities between the United States and the EU will make signing a trans-Atlantic deal that simplifies regulations and lowers tariffs a possibility by the end of 2014.

Long supported by European leaders, including Angela Merkel, the German chancellor, and David Cameron, the British prime minister, the concept got a boost in the United States when President Barack Obama announced during his State of the Union address that negotiating a U.S.-EU deal would be high on his second term agenda.

“Trade that is free and fair across the Atlantic supports millions of good-paying American jobs,” Obama said.

The EU negotiations are just one of the issues that will command attention from Obama’s yet-to-be-named second-term U.S. trade representative. The administration is working on an international services deal, and is looking to finalize the Trans-Pacific Partnership with nearly a dozen countries by this fall.

But if a U.S.-EU deal was signed, it would be the largest trade agreement in existence — creating a \$4 trillion trade and investment bloc. A trans-Atlantic deal has eluded U.S. presidents and EU leaders for decades, but already, the EU and the United States annually trade nearly \$650 billion, or about 40 percent of global commerce.

And Europeans buy more goods from the United States than most other countries’ citizens. According to government data, the United States exported more than \$265 billion to the EU in 2012 — twice as much as China. A broad range of U.S. companies support the negotiations, from financial services firms to automakers.

“An EU-U.S. free trade deal would kickstart job growth and give U.S. businesses duty-free access to the world’s largest group of high-income consumers outside the United States,” Devin Nunes, the new chairman of the House Ways and Means Trade Subcommittee, told POLITICO in an email. “Incorporating 40 percent of the world’s GDP, the agreement would be the benchmark by which all free trade agreements are measured.”

At a Ways and Means Trade Subcommittee hearing this week, both Democrats and Republicans voiced support for the trans-Atlantic talks.

Tariffs between the EU and the United States are already among the lowest in the world, but businesses are hopeful that a deal could push those rates down. They argue that because of the high volume of trade, even slightly lower tariffs could have significant economic benefits.

A U.S. Chamber of Commerce study found that eliminating tariffs could increase trade between the EU and the United States by \$120 billion in five years.

But when it comes to a U.S.-EU trade deal, an even bigger priority for many businesses is bringing down, or streamlining, regulations.

“Everyone knows that cars on both sides of the Atlantic are safe. The standards are just

different,” says Linda Dempsey, the vice president of international economic affairs at the National Association of Manufacturers.

Manufacturers and business groups want to simplify some of the safety regulations that exporters face. For example, an automobile deemed road-ready in the U.S. has to still meet European standards — and often those standards demand different material or sizes, forcing the manufactures to create separate products.

“Both of us, because we’re democracies, because we’re high-income based, there are very similar levels of protection. No one wants their people to die in a car or a plane, but we do it in slightly different ways,” notes Peter Chase, the U.S. Chamber of Commerce’s vice president for Europe. “[We need to go] from a working relationship to reaching an agreement where you say, ‘If it is safe enough for you, it is safe enough for me.’”

Reaching a regulatory deal won’t be the only challenge; there are plenty of other potential obstacles.

For one, there’s the complexity of negotiating a single trade deal with 27 countries — all of which have competing priorities. France, for instance, is worried about knock-off sparkling wine sold in the United States as “champagne”

There is also concern among U.S. farmers that the trade deal might not adequately address the restrictions the EU places on genetically modified crops or the use of some feed additives. These practices are approved by the FDA, but the EU has limited what agriculture farmers can import — shutting many farmers out of the European markets.

Baucus, a pro-trade Montana Democrat, said he would object to any trade deal that did not remove the trade barriers.

"Any bilateral trade and investment agreement must be comprehensive and address the full range of barriers to U.S. goods and services if it is to receive broad, bipartisan congressional support," Baucus wrote in a Financial Times op-ed last week.

Baucus will be a key player as lawmakers push to renew trade promotion authority, also known as fast-track, which gives the president the ability to negotiate trade deals with foreign leaders without the fear that Congress will hijack the pact. Fast track procedures bar amendments and ensure a quick up-or-down vote on the trade deal.

The last version of fast track authority expired during the George W. Bush administration and while Republicans are looking to renew it, lawmakers want the president to engage Congress first. The White House has expressed support for the authority but has yet to initiate talks.

Traditionally, most labor unions voice opposition to fast track, and to trade deals in general, because there are few ways to protect American workers from losing jobs or foreign workers from facing abuse. There are also few consequences stopping businesses from relocating to developing countries to take advantage of the pool of low-paid workers, the labor unions argue.

But with the EU trade deal, the tables are turned.

“In many trade agreements, American labor has had some questions about labor standards in the other countries. In this case, it is just the opposite,” says the Chamber of Commerce’s Chase. “If you read the statements that have been coming out of the labor organizations, they have been saying, ‘We’re comfortable with this from a labor point of view because in fact Europe has higher labor standards than the United States.’ This is just another example of how this has been traditionally been very different.”

The AFL-CIO’s Lee says that the union will watch the negotiations closely.

There will also be fewer concerns about environmental harm. Governments in developing nations often don’t have the same conservation standards as the United States, so lawmakers have pushed for provisions aimed at preventing slash-and-burn deforestation or strip mining.

And if U.S.-EU negotiations can overcome the historical roadblocks that large multilateral trade deals usually face, business leaders predicted that governments might begin bypassing the World Trade Organization as the go-to venue for trade deals — particularly since the Doha round of global trade talks has been stalled for years now, with no signs of progress.

“This could be a north star for other agreements around the world,” John Engler, president of the Business Roundtable, told reporters last month. “And it could for Doha, show what a post-Doha world look like. If you have half the world’s goods and services in this one big region, could others come in under those rules?”

